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SOUTH CAROLINA SANTEE COOPER



ANNUAL REPORT 1994

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State Budget And Control Board

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STATE DOCUMENTS

Letter of Transmittal

April 14, 1995

To: The Governor and General Assembly

In accordance with law, we are privileged to submit to you the Annual Report of Santee Cooper, South Carolina Public Service Authority, for the calendar year 1994.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "T. Graham Edwards". The signature is fluid and cursive, with a prominent initial "T" and a long, sweeping underline.

T. Graham Edwards
President and Chief Executive Officer

TABLE OF CONTENTS

Theme	3
History	3
Mission	4
Executive Report	4
Energy Sales	7
Santee Cooper 2000	7
Financial Report	17
Balance Sheets	18
Audit Committee Chairman's Letter	33
Leadership	34

WE'RE PUTTING OUR ENERGY TO WORK FOR YOU

The National Energy Policy Act of 1992 opened the door for deregulation of the electric utility industry. That means commercial, industrial, and wholesale customers will, in the not too distant future, probably be able to choose whatever power provider they desire—just as they can now choose their long-distance telephone service provider. As a result, by the year 2000, electric utilities will be competing for survival.

Responding to this new competitive environment, Santee Cooper and utilities throughout the country are focusing on two major challenges: 1) providing the lowest possible price of power to customers; and 2) improving customer service.

To meet these challenges and develop a road map for its future, Santee Cooper completed development in 1994 of its first formal strategic plan, known as Santee Cooper 2000. The intent of that plan is to better position this organization for the 21st century.

"We're Putting Our Energy To Work For You" is the theme of this annual report. It is the new corporate identity tag that has evolved as a product of Santee Cooper 2000 and expresses Santee Cooper's commitment of service to its customers and the citizens of South Carolina.

SANTEE COOPER IS SOUTH CAROLINA'S STATE OWNED ELECTRIC AND WATER UTILITY.

Construction on the utility project began on April 18, 1939, with the first electricity generated on February 17, 1942, from the Pinopolis Power Plant, a five-unit hydroelectric facility near Moncks Corner. Santee Cooper generates the power distributed by 15 of the state's 20 electric cooperatives to 360,000 customers located in 35 counties, supplies power to 29 large industries, the municipalities of Bamberg and Georgetown, and two military installations at Charleston. In addition to its original hydroelectric station, the utility has four large-scale, coal-fired generating stations in South Carolina: Jefferies Station in Moncks Corner, Cross Station in Cross, Winyah Station in Georgetown, and Grainger Station in Conway. Santee Cooper also has combustion turbine-peaking units at Myrtle Beach and Hilton Head Island, and a small hydroelectric unit at the Santee Dam. The utility has a one-third ownership in the V.C. Summer Nuclear Station near Jenkinsville. On October 1, the Santee Cooper Regional Water System began commercial operation. This signals a new era in Santee Cooper service to South Carolina. The citizens of Moncks Corner, Goose Creek and Summerville, and customers of the Berkeley County Water & Sanitation Authority, are the beneficiaries of this stable supply of one of life's most precious commodities.

MISSION

"The mission of Santee Cooper is to be the state's leading resource for improving the quality of life for the people of South Carolina."

To fulfill this mission, Santee Cooper is committed to:

- being the lowest cost producer and distributor of reliable energy, water, and other essential services
- providing excellent customer service
- maintaining a quality work force through effective employee involvement and training
- operating according to the highest ethical standards
- protecting our environment
- being a leader in economic development

EXECUTIVE REPORT

It is a challenging and exciting time to be in the electric utility business. A deregulated electric utility environment is coming to the United States, the result of the Energy Policy Act passed in 1992 by the U.S. Congress.

Deregulation is without question a major factor affecting Santee Cooper's future. While its ramifications will take many years to be realized, we must be prepared to operate effectively in a competitive environment where customers may choose electric service much like telephone customers select a long-distance carrier. Issues of retail wheeling and open-transmission access are cornerstones of deregulation and these issues will take time to sort out.

Banking, airlines, telecommunications, and broadcasting are already deregulated industries. While the prudence of deregulation will likely be subject to debate now and in the future, we unquestionably stand at the threshold of it in the electric utility business.

A positive beginning is that all our corporate goals were met in 1994. This significantly contributed to an increasingly competitive posture. And it is the individual employee working as part of a cohesive, effective team that has always been a hallmark of our operations. This corporate way of life will be even more critical in the future.

In 1994, Santee Cooper successfully concluded several major projects that will solidify our position as we approach deregulation. The new 540-megawatt unit at the Cross Generating Station was first added to the grid in September during test start-up. It's particularly gratifying to bring a unit on-line under budget and on schedule.

The Cross 1 unit's budget was originally \$509 million. But it has been built for \$418 million. This is a testament to conscious efforts to hold down costs and take advantage of attractive interest rates and a favorable construction environment. Santee Cooper and its customers need this power, and

while other utilities struggle to meet peak demand, we are well-positioned.

To pay for this unit, Santee Cooper implemented a rate increase on April 1, the first since 1985. Two more adjustments will become effective on April 1, 1995, and April 1, 1996. The system average increases total 9.8 percent over the three-year period.

We offered an expanded menu of industrial rates, and introduced real-time pricing. It should be remembered that even with all the adjustments, projections indicate Santee Cooper will remain the lowest-cost producer and distributor of any major generating utility in South Carolina.

Where there is demand, there is growth, and there is explosive growth along South Carolina's Grand Strand and Waccamaw Neck. Country music venues, golf courses, outlet malls, residential housing, and retail business openings represent nothing short of a regional economic juggernaut. Santee Cooper will continue to provide power to propel this impressive growth.

The Santee Cooper Regional Water System was dedicated in October and the long-standing dream of utilizing water from the Santee Cooper Lakes became a reality. This \$34.5 million (excluding net interest cost) project, completed under budget and on time, is proof positive that governmental entities in the Lowcountry can and should work together. Before the year was out, a local movement was under way to provide water from Lake Marion to users in portions of Calhoun, Clarendon, Dorchester, and Orangeburg counties.

Moody's, a major Wall Street bond-rating firm, gave Santee Cooper high marks, citing "strong management" and "stable financial performance." Moody's assessment is atypical of how many electric utilities are viewed in the financial community due to the unknowns posed by deregulation. It is indeed gratifying that confidence in us is solid.

By not offering minibonds this year, Santee Cooper was able to assist the state treasurer's office in the state's first-ever sale of minibonds. Santee Cooper personnel provided technical and practical advice throughout the process. Approximately \$24.5 million of the state's bonds were sold.

With the Charleston Naval Base and Charleston Naval Shipyard closing in mid-1996, we made efforts to retain serving these facilities as we've done since 1942, and under contract since 1954.

With the election of Gov. David Beasley, the state's emphasis on economic development is projected to continue as it did under Gov. Carroll A. Campbell Jr. Santee Cooper responded to Gov. Campbell's request to act as an agent of the state in a complicated land swap that expanded a weapons range near Shaw Air Force Base in Sumter County in exchange for a portion of the former Myrtle Beach Air Force Base which closed in 1993. This should put Shaw AFB in a more advantageous position prior to the next round of base closings. The swap, which involved the S.C. Forestry Commission, allowed AVX Corp., a major capacitor manufacturer and Horry County's largest employer, to expand on the tract of land which was part of the former Myrtle Beach Air Force Base.

Cooperation is the key to so many issues, and Santee Cooper will continue to work as part of the Palmetto Economic Development Corp. (PEDC). Based in Columbia, PEDC is governed by

representatives of Central Electric Power Cooperative's 15 member co-ops and Santee Cooper. In 1994, nine new companies were announced in eight different counties. These announcements represented a total capital investment of \$160.7 million and are expected to generate 1,835 new jobs. In addition, 18 significant expansions at cooperative-served industries in 13 counties totalled \$121 million in new capital investment and will result in the creation of 484 new jobs.

The Charleston Regional Development Alliance was formed in the fall, replacing the Trident Economic Development Authority. Fostering greater input from all segments of Berkeley, Charleston, and Dorchester counties is the group's overriding goal.

The selection of Santee Cooper's president and chief executive officer as chairman of the alliance reflects strong confidence in Santee Cooper's leadership for economic development in the Lowcountry.

Santee Cooper continued at the forefront of environmental protection by defending the Santee Cooper Lakes. The owners of a hazardous waste landfill near Lake Marion in Sumter County were required to place the first payment in a trust fund for cleanup of the site. The requirement has been challenged by the company every step of the way and litigation is ongoing.

The Give Oil For Energy Recovery or GOFER® program passed the one million gallons mark in statewide collections. By year's end, every county had at least one GOFER site where do-it-yourself oil changers can conveniently and safely dispose of used oil. Santee Cooper converts the oil into electric power, and GOFER represents one of the state's more visible aspects of public service and environmental protection.

Being named to the National Environmental Development Association's (NEDA) 1994 Honor Roll was a significant environmental achievement. The NEDA recognition is only given to companies promoting the development of environmental policies that contribute to both a clean environment and a strong economy. Santee Cooper joined the ranks of Disney Development Co., Amoco Corp., Eastman Kodak Co., and Philips Electronics North America Corp., and others for this special honor.

The foundation for preparing for our future and that of the customers we serve was laid with implementation of a new strategic plan, "Santee Cooper 2000." Its four long-term objectives best describe the course set for Santee Cooper as we approach the 21st century:

1. **Low-Cost Energy** – To remain the state's lowest-cost producer and distributor of reliable electric services.
2. **The State's Leading Resource** – To be recognized by state and local governments and the citizens of South Carolina as a valued provider of essential services.
3. **Expanded Services** – To provide essential services based on our key capabilities that will enhance the quality of life for the people of South Carolina.
4. **Work Force Management** – To improve company-wide performance through enhanced employee involvement and participative work force management.

As we move forward to mid-decade, Santee Cooper challenges its employees to find ways to

improve operations, and to be creative and innovative. We are positioning Santee Cooper to be cost-competitive as we are challenged by market-based rates near century's end.

John S. Rainey
Chairman, Board of Directors

T. Graham Edwards
President and Chief Executive Officer

ENERGY SALES

At the end of 1994, Santee Cooper was serving 99,782 residential, commercial, and other retail customers located in Berkeley, Horry, and Georgetown counties. This was an increase of 3,112 or 3.2 percent over 1993. Of this increase, 2,574 were residential and 538 were commercial & others.

Sales to these retail customers were 2,253 gigawatthours, up 1.7 percent over the previous year.

The average annual consumption of electricity by Santee Cooper residential customers declined to 12,139 kilowatthours, 4.8 percent less than 1993.

Industrial's were 5,169 gigawatthours, up 0.3 percent over the previous year. The average cost of power to industrial customers was 3.22 cents per kilowatthour, 1.5 percent less than in 1993 and 33.6 percent lower than the national average.

Sales to Central Electric Power Cooperative Inc. for its 15 member co-ops increased 1.3 percent to 6,903 gigawatthours. Central is Santee Cooper's largest single customer. The electric cooperatives distribute power to more than 360,000 customers in 35 counties.

Sales to the municipalities of Bamberg and Georgetown decreased 0.2 percent.

SANTEE COOPER 2000

OBJECTIVE 1: Remaining the state's lowest cost producer and distributor of reliable electric services

Although our desire to remain the state's "lowest cost producer and distributor" may appear to be simplistic, it will require a true commitment from employees at every level. The fact is that the cost of generating electricity continues to grow...and to keep our rates low we will be working in all areas *to produce* cost-cutting measures. It is through the individual efforts of Santee Cooper employees that we work effectively as a team, and it will be through their individual efforts that we remain the "lowest cost producer and distributor."

Startup of Cross Unit 1 On Jan. 15, 1990, the Santee Cooper Board of Directors authorized construction of the second coal-fired unit at the Cross Generating Station in Berkeley County.

Four years and nine months later, the turbine generator spun to life and Cross Unit 1 was synchronized to Santee Cooper's electric grid on Sept. 12 at 12:03 a.m. Essentially a companion unit to Unit 2, which was constructed first in the build-out plan, Unit 1 is unique when measured against the construction climate of today's electric utility industry.

The 540-megawatt Unit 1 is one of the few large-scale, baseload generating units built in the U.S. in the last decade. Many utilities are building combustion-turbine units as a cost-effective way to meet peak demand. But growth along the Grand Strand and growth on the Central Electric Power Cooperative system made it clear that a base load unit was the most cost-effective way for Santee Cooper to meet its customers' needs. The initial construction budget was \$589 million.

Due to favorable interest rates and the competitiveness of the labor and materials market, it soon became apparent that Santee Cooper wouldn't have to spend that much money. This is where Cross 1 becomes another of Santee Cooper's success stories.

At \$418 million, the construction cost per kilowatt is \$774, besting the national average of \$1,200 per kW. Design improvements on the turbine generator by the manufacturer General Electric Co. have resulted in a 20-megawatt gain over the original rating.

Cross 1 will go into commercial operation on May 1, 1995, providing power well into the next century.

Rates Adjusted for the First Time Since 1985 No utility likes to raise rates. But there comes a time when it simply cannot be delayed. On Jan. 24, the board gave final approval to a three-step rate increase effective April 1, 1994, 1995, and 1996. Rates were last raised in 1985.

The decision followed a three-month period of review and comment on the proposed rates by Santee Cooper's customers. Rates for all customer classes increased an average of 4.3 percent in April. This will be followed by an overall average increase of 2.5 percent in April 1995 and a 3 percent overall increase in 1996.

The demand for electric power has climbed 46 percent since 1985, which led to the decision to build the second unit at the Cross Station in Berkeley County. Paying for construction of the new \$418 million unit was the primary reason for the adjustment.

It is significant that even with all the projected increases, Santee Cooper will remain the lowest-cost producer and distributor of electric power of any large-scale generating utility in South Carolina.

Substation Links Santee Cooper With Duke Power Co. Santee Cooper is the beneficiary, but so are customers of utilities in North Carolina, and even people as far away as Ohio. A 230-kilovolt switching station in Greenwood County now links Santee Cooper and Duke Power Co., one of the nation's largest investor-owned utilities based in Charlotte, N.C.

The switching station is testimony to the importance of our nation's unified electric grid where the

buying and selling of power goes on every hour of every day all across the country. Before the Greenwood County station was energized, Santee Cooper and Duke Power were limited in their purchases of electric power from one another. That usually meant going through another utility and paying a delivery fee or wheeling charge.

The new tie with Duke Power cuts out this "middle man." It's projected that Santee Cooper will save thousands of dollars in wheeling charges.

The engineering and construction was done in 17 months, an impressively short period of time considering the amount of engineering work required. Nearly a dozen Santee Cooper units were involved. It's just another example of establishing a solid future for the next millennium.

The Grand Strand's Economic Success Story Continues Fourteen million people visit the northern coast of South Carolina every year. Tagged the "Grand Strand" in the 1950s by a clever public relations practitioner, the seashore from Georgetown to Little River, anchored by Myrtle Beach, is a textbook enterprise zone of magnanimous proportions.

Visitors spend \$1.7 billion, as full buses and cars flock to the nation's newest country music venues. Nashville, Tenn. and Branson, Mo. don't have a thing on the strand's twang. By mid-year, more than \$1 billion worth of construction was underway or about to begin, including dozens of new hotels, restaurants, and stores.

The announcement generating the most attention was the \$460 million Isle of America theme park on 1,052 acres on the former Myrtle Beach Air Force Base. Up to 5,000 year-round employees are expected to keep the park running. The project is expected to be larger than Walt Disney World's Magic Kingdom. This is what's planned:

- A 50,000 sq. ft. Centennial Exposition, modeled after an 1890's World's Fair
- Rock 'n' Roll Fair Square, featuring an inverted roller coaster
- Explorer's Isle, a lakefront park with rides and eateries catering to children
- New England Waterfront, with a log-flume ride, and a U.S. House of Representatives Theater where historical events will be re-created
- River City, U.S.A., with a jazz club, Delta Mansion restaurant, wedding chapel, musically themed boat ride, and computer animated robots
- The Final Frontier, which includes an indoor roller coaster and IMAX theater
- Thunder Canyon, a river-rapids ride featuring a runaway gold-mine train

Then there's the announced \$250 million Broadway At The Beach on 350 acres of property on U.S. Highway 17 Bypass. Twelve theaters are projected with as many as 25 possible. A 75,000 sq. ft. aquarium is also slated.

Barefoot Landing, located in North Myrtle Beach, is scheduled to open its \$25 to \$30 million aquarium in the summer of 1995 behind the Alabama Theatre. And yet another aquarium has been announced at Fantasy Harbour.

The \$23 million Myrtle Beach Convention Center project held a grand opening in October. The refurbished facilities now have 21,000 sq. ft. of space in 21 meeting rooms, an 18,000 sq. ft. ballroom, and new kitchen and banquet facilities. There's over 100,000 sq. ft. of exhibition space, and it features the new S.C. Hall of Fame Museum.

The Grand Strand is truly the centerpiece of the 1990s "age of entertainment."

OBJECTIVE 2: Increasing awareness of Santee Cooper as a provider of essential services

During the last 50 years, Santee Cooper has worked as a sort of "silent partner" to the people of South Carolina; our services have influenced and improved the quality of life for residents throughout the state, yet we have taken minimal credit for our efforts. Times change, however, and developments within the industry are now directing us to a higher profile stance. Through a *wide range* of media, Santee Cooper will now attempt to increase awareness among South Carolinians about the many services we provide.

Santee Cooper Has a New Corporate Commitment Through the decades, Santee Cooper has used several corporate statements to identify the essence of the organization. The latest statement, "We're Putting Our Energy To Work For You," is a commitment that reflects the "Santee Cooper 2000" strategy to boldly embrace the deregulated electric utility marketplace.

NEDA Award For its environmental outreach efforts, Santee Cooper was honored in June by the National Environmental Development Association, or NEDA. Board Chairman John S. Rainey received the recognition at an awards dinner in Washington, D.C. Santee Cooper is now part of the NEDA Honor Roll for its proven commitment to promoting proper stewardship of the environment. The programs sponsored by Santee Cooper include:

- Environmental scholarships for colleges in the state
- An annual environmental essay contest for the state's seventh-graders
- The annual 4-H Outdoor Adventure Camp for young people
- An annual statewide environmental symposium
- Sponsorship of the weekly S.C. Educational Television Network program "NatureScene"

NEDA, founded in 1973, promotes the development of environmental policy that contributes to both a clean environment and a strong economy. Each year the association recognizes at least 10 organizations for their efforts toward sound environmentalism.

Nineteen other businesses, industries, and associations were also selected for inclusion on the honor roll. Santee Cooper joined firms such as Disney Development Co., Eastman Kodak Co., Eli Lilly & Co., and Amoco Corp.

Edwards Elected Chairman of Charleston Regional Development Alliance In December, President and CEO T. Graham Edwards was elected chairman of the newly formed Charleston

Regional Development Alliance. Created last fall, the Alliance will oversee economic development activities in Berkeley, Charleston, and Dorchester counties and assumes the role previously held by the Trident Economic Development Authority. That group has been dissolved in the interest of more harmonious economic development efforts in the tri-county area.

The Alliance's board of directors is comprised of a minimum of 23 business and community members. All local funding is anticipated to come from the three chambers of commerce in the tri-county area and the three county governments, the latter based on each county's share of the tri-county population.

Edwards says immediate items on the agenda include naming an executive director, formulating a budget, and handling the many administrative and organizational issues of forming a new organization.

No one believes it will be easy. Intrasectional acrimony has been viewed as inhibiting a much-needed cohesive and unified effort to move the tri-county area forward. Leaders acknowledge the time has come to enfranchise all segments of the Lowcountry, not simply the strict confines of metropolitan Charleston. As the Charleston daily newspaper stated after Edwards' election, "Edwards is responsible for Santee Cooper's strong name in the business community."

Chairman Named 1994 Conservationist of the Year Board Chairman John S. Rainey was named the 1994 Conservationist of the Year by the S.C. Wildlife Federation. This prestigious honor recognizes the Anderson native's influence in advocating a balance between a sound economy and environmental stewardship.

The chairman set the tone for how Santee Cooper views the environmental responsibility in April 1990, only three months after being named chairman by Gov. Carroll A. Campbell Jr. It was at this time, the 20th anniversary of Earth Day, that he introduced a resolution to the board of directors: "Protection and improvement of our environment are equal in importance to providing affordable electric energy."

Such a definitive statement from one of the country's largest public power utilities is far beyond a firm's desire to be perceived as an environmentally responsible corporate citizen. It represents another example of real-world change—a paradigm shift in business culture not seen until recently.

In the four years under his chairmanship, Rainey has established a unique summit of environmental and business leaders: the South Carolina Environmental Symposium. In September, the third such gathering assembled again on Kiawah Island, a showpiece that blends progressive development with acute sensitivity to its natural setting.

Environmental and business leaders from the state, region, national, and international scene share concerns, ideas, and solutions to the compelling ecological challenges facing the planet.

The S.C. Environmental Law Project's publication, "Mountains & Marshes," recognized the chairman's efforts to hold the owners of the hazardous waste landfill on the shores of Lake Marion financially accountable for the facility. The landfill issue received considerable attention from Santee

Cooper during the year to maintain the chairman's stance: "The lakes must be held inviolate, and they must be defended."

OBJECTIVE 3: Enhancing the quality of life for the people of South Carolina

It only takes a brief glance through the legislation that created Santee Cooper to find that quality of life improvement has been part of our job since day one. At first, the mission was easily defined...as the greatest improvement imaginable was the electrification of the state's rural areas. Today, however, we believe it is our mission both as a company and as individuals to *continue* to improve the quality of the lives of our state's residents—and we will do so in a wide range of ways.

Santee Cooper Regional Water System Water, one of life's basic necessities, has traditionally been in abundance in the South Carolina Lowcountry. It once was so simple. Drill a well, you get water—and plenty of it. Things have changed since every town, large and small alike, could pump what seemed like endless gallons of water out of the ground.

As the population in the tri-county area mushroomed in the 1970s and '80s, the water table began dropping. Many towns had problems with calcium or "hard water." Industries, while providing jobs and economic benefits, literally dried up many artesian wells and depleted the free-flowing water. This, combined with tougher federal drinking water standards looming large on the horizon, forced mayors, town councils, and water entities to look beyond parochial interests and think regional and long-term.

The result is the Santee Cooper Regional Water System, made possible by cooperation from Santee Cooper and four other subdivisions of government: the Berkeley County Water & Sanitation Authority, the city of Goose Creek, the Moncks Corner Public Works Commission, and the Summerville Commissioners of Public Works.

The four entities formed the Lake Moultrie Water Agency, to buy the 24-million gallons per day capacity of the regional system. While talked about since the mid-1980s, serious discussions and needed legislation bore fruit in 1987 when the S.C. General Assembly passed a law to allow Santee Cooper to become a water wholesaler in Berkeley, Charleston, Clarendon, Dorchester, and Orangeburg counties. Sumter County was added to the list in 1989.

Plans for the system were announced in 1991, and construction on the 23 miles of pipelines began in early 1993. Major achievements in 1994 included completion of the one million gallon elevated storage tank near Carnes Crossroads. On Aug. 11, the first water was drawn from Lake Moultrie and treated at the water treatment plant, located near Moncks Corner.

On Sept. 20, the system began delivering water to Summerville. Moncks Corner followed on Sept. 21, with Berkeley County coming on-line on Sept. 22 and Goose Creek on Sept. 26. Commercial operation began on Oct. 1. Gov. Carroll A. Campbell Jr. dedicated the system on Oct. 20.

GOFER® Program Nets Millionth Gallon Do-it-yourself oil changers and backyard mechanics

throughout South Carolina have helped keep the state's environment cleaner by depositing more than one million gallons of used motor oil since 1990 through the Give Oil For Energy Recovery or GOFER program.

The one millionth gallon was picked up from Greenville County on Dec. 13. Chief Operating Officer Robert V. Tanner presented a plaque to Greenville County officials during ceremonies at the Enoree Landfill attended by local officials and representatives from the S.C. Dept. of Health and Environmental Control.

The GOFER program began in July 1990, an idea born by employees in the Environmental Services unit. As 1994 ended, 302 GOFER sites were in place. There is at least one collection site in each county in South Carolina.

GOFER won three environmental awards in 1994, and the total is now nine. In December, GOFER picked up a prestigious award in Houston, Texas from Keep America Beautiful. The GOFER program is the most visible public service program offered by Santee Cooper to those who do not receive Santee Cooper power or water. It's another way that dramatically illustrates the true statewide public service rendered by Santee Cooper.

One million gallons is a lot of oil that might otherwise have been illegally introduced into the state's streams, landfills, ditches, soil, or water. The GOFER truck has become a familiar sight on our highways and byways, picking up oil and transporting it to the Jefferies and Winyah stations where it is converted into electric power. Consider that one million gallons of used oil has enough energy to:

- Power 1,310 homes for one year
- Power 478,000 homes for one day

Myrtle Beach Air Force Base Land Swap Many people don't know Santee Cooper is a major player in military base redevelopment. Its success has been achieved in facilitating the redevelopment of the former Myrtle Beach Air Force Base property in Horry County.

Santee Cooper became involved in the task at the request of Gov. Carroll A. Campbell Jr. who sought someone to act as an agent of the state throughout a complicated land-swap process that began in September 1992.

The land swap between the state and the U.S. Air Force was completed May 26 during signing ceremonies at Santee Cooper's corporate headquarters. The exchange of 12,500 acres of S.C. Forestry Commission land in Sumter County, currently used as a bombing range near Shaw Air Force Base, was made for more than 1,550 acres at the closed Myrtle Beach Air Force Base.

Gov. Campbell said the action "...puts South Carolina at the forefront of the base redevelopment movement nationwide, and it puts the Grand Strand in a position to capture jobs and opportunities.

"The land swap not only grants us control of our development destiny at Myrtle Beach, it also significantly enhances Shaw Air Force Base for the next round of base closures by solving major encroachment problems. I want to thank my staff, the entire team at Santee Cooper, our Washington

delegation, and the Air Force for leading us toward this great achievement," said Campbell.

John C. Land III Boating and Sports Fishing Facility On May 6, under picture-perfect skies, the John C. Land III Sports Fishing Facility on Lake Marion was dedicated during a very special event. The dedication coincided with the final weigh-in of the 1994 Bassmasters Invitational Fishing Tournament sanctioned by the Bass Anglers Sportsman Society or B.A.S.S.

A crowd of 2,000 onlookers was on hand for the dedication and B.A.S.S. finale, sponsored by the Clarendon County Chamber of Commerce. Clarendon is one of five counties surrounding Lakes Marion and Moultrie, commonly referred to as the Santee Cooper Lakes. While the governor thanked Santee Cooper for the donation of the land, the supreme praise came from B.A.S.S. official and veteran angler Ray Scott. He told the gathering that the 26-acre "megalanding," as it's often called, "is one of the finest in this country, if not the finest." He also characterized the tournament as one of the most successful B.A.S.S. has ever conducted.

B.A.S.S.' 27-year poundage record was broken the first day. The tournament was won by O.T. Fears of Sallisaw, Okla. His total catch was 77 lbs., 4 ozs., a three-day B.A.S.S. record. Fears won \$14,000 cash and a fully rigged Ranger bass boat valued at \$21,000. Anglers from 34 states, Japan, and Mexico participated.

The landing is named after Clarendon County Sen. John C. Land III. He termed the landing "as an example of government working together." In addition to Santee Cooper, entities involved in the project included the S.C. Dept. of Natural Resources, the S.C. Dept. of Parks, Recreation and Tourism, the U.S. Fish and Wildlife Service, the Clarendon County Legislative Delegation, and the States Organization of Boating Administrators.

Recreation, considered a byproduct of the original Santee Cooper Hydroelectric and Navigation Project, has grown to an industry providing an annual economic benefit to the five-county region of nearly \$200 million and providing approximately 3,000 tourism-related jobs. In the July 1994 issue of B.A.S.S. Times the headline trumpeted, "Santee Cooper Stakes its Claim as the Nation's Best All-Around Bass Fishery."

Leaseholders Surveyed On Buying Their Lake Lots Santee Cooper conducted a survey of approximately 2,600 residential leaseholders in July to determine if they would be interested in purchasing their subdivision lots located on Lakes Marion and Moultrie. The survey elicited a response rate of nearly 85 percent. Of those who responded:

- Approximately 32 percent stated they would be interested in purchasing the property now
- Approximately 18 percent stated they would be interested in purchasing the property within the next five years
- Approximately 13 percent indicated they would consider purchasing the property within 5 to 10 years
- Approximately 37 percent stated they would be interested in purchasing the property when their lease expires

Subdivisions have been a fixture on the Santee Cooper Lakes since 1945, and 51 developments dot the lakes.

Sales are possible due to the redrawing of Federal Energy Regulatory Commission (FERC) boundaries when Santee Cooper's hydroelectric license was renewed in 1979. FERC, which licenses all hydroelectric projects in the U.S., determined that properties in certain Santee Cooper subdivisions in Berkeley, Calhoun, Clarendon, and Orangeburg counties were no longer essential for hydroelectric operations.

Since these "leisure-time developments" began, leaseholders have owned their dwellings but could not own the property. The vice president of Property and Transportation presented the survey results to the Santee Cooper Board of Directors Property Committee on Aug. 22.

Recommendations on a possible sales option were expected to be presented to the board of directors in early 1995.

OBJECTIVE 4: Improving company-wide performance through enhanced employee involvement

It is the employees of Santee Cooper who make us a great company. It is their dedication, dependability, and creativity that have, for over 50 years, enabled this company to operate as a cohesive team. It is also they who know where we need improvement; as a result, we have charged our employees at all levels to think not just about how to do a *good* job, but how to do a *better* job. By receiving their individual input on how we can improve specific aspects of our operations, we will continue to improve as a whole.

Santee Cooper 2000 With the 21st century rapidly approaching, Santee Cooper is poised to chart a new course as all electric utilities prepare to meet fundamental changes in the way business is conducted. Those who adapt will survive and even flourish in a deregulated electric utility environment.

Those who don't may be the latest example of "buggy-whip makers," who were forced to face change when Henry Ford's Model T revolutionized the very fabric of transportation. Strategic planning becomes the blueprint for meeting change, not resisting it.

In March, a hardbound book, "Santee Cooper 2000 –Energizing the Future" became part of Santee Cooper's pathway to tomorrow. This strategic plan represents the work of dozens of employees who were charged by President and CEO T. Graham Edwards with the daunting task of articulating the vision of Santee Cooper's second century.

One of the most dramatic changes will be the ability, through retail wheeling, for customers to choose their power company much like they now can choose a long-distance telephone carrier.

Other utilities will be able to use Santee Cooper's transmission lines. This is called open transmission access. Regulators will allow independent power producers, who are not traditional

utilities, to build and operate power plants, and to compete with existing utilities. No one knows precisely how these changes will affect Santee Cooper, electric co-ops, or investor-owned utilities. According to "Santee Cooper 2000" employees should:

- Be willing to accept change and look for new ways to improve
- Streamline and/or enhance processes to make them more efficient and competitive
- Develop new services
- Promote demand-side management programs such as Good Cents and H₂O Advantage
- Find ways to control and reduce operating and maintenance costs, and capital equipment and construction expenses
- Offer ideas for the design, construction, operation, and maintenance of systems and facilities to make them more reliable and cost-beneficial
- Look for creative ways to complement and protect natural resources
- Share knowledge, skills, and ideas with fellow employees and the community

Communicating the strategic plan was accomplished in meetings with managers and supervisors, distribution of brochures to employees, videotaped presentations, and articles in the employee newsletter.

Program for Employee Participation Employees have a way to constructively share ideas in a level of participative management at Santee Cooper. It's called the Program for Employee Participation or PEP.

PEP empowers the individual employee through collective decision making processes. A PEP group focuses on a project or activity that is mutually decided upon. PEP has an impressive cumulative employee participation rate of 95 percent. This exceeded the corporate goal of 85 percent.

During the year, 1,715 employees participated on 334 teams. When it comes to selecting projects, PEP teams continued to place more emphasis on activities relating to corporate goals. It's paying off. The estimated net annual savings from PEP was \$730,367.

Examples of 1994 PEP projects include the Rates Marketing Team which developed a marketing plan for Santee Cooper's electric rates. The objective was to help Santee Cooper's employees and customers become aware of and understand Santee Cooper's electric rates. In association with "Santee Cooper 2000," a Strategic Action Team was formed to review corporate public education programs.

PEP has been a fixture at Santee Cooper since 1983.

FINANCIAL REPORT

Report of Independent Public Accountants

To the Advisory Board and Board of Directors of the
South Carolina Public Service Authority:

We have audited the accompanying balance sheets of the South Carolina Public Service Authority (a component unit of the State of South Carolina—Note 1) as of December 31, 1994 and 1993 and the related statements of accumulated earnings reinvested in the business, reinvested earnings, and cash flows for each of the three years in the period ending December 31, 1994. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 1994 and 1993, and the results of its operations and its cash flows for each of the three years in the period ending December 31, 1994 in conformity with generally accepted accounting principles.

As explained in Note 4 of the notes to financial statements effective January 1, 1994, the South Carolina Public Service Authority changed its method of accounting for certain investments in debt and equity securities.

Arthur Andersen LLP
Charlotte, North Carolina
February 17, 1995

BALANCE SHEETS

South Carolina Public Service Authority
December 31, 1994 and 1993

ASSETS	1994	1993
	(Thousands)	
<i>Utility Plant – At Cost:</i>		
Plant in service	\$ 2,625,451	\$ 2,540,433
Less accumulated depreciation	883,058	814,425
Plant in service	1,742,393	1,726,008
Construction in Progress	549,317	450,306
Nuclear fuel – at amortized cost	21,358	14,082
Utility plant – net	2,313,068	2,190,396
<i>Other Physical Property (Net of Accumulated Depreciation)</i>	1,720	1,748
<i>Cash and Investments Held by Trustee (Designated)</i>	291,878	440,427
<i>Current Assets:</i>		
Cash and investments held by trustee (undesignated)	51,778	50,794
Bond funds – current portion	106,415	90,031
Accounts receivable – net of allowance for doubtful accounts of \$887,000 and \$2,907,000 in 1994 and 1993, respectively	54,581	57,339
Accrued interest receivable	2,922	3,203
Inventories, at average cost:		
Fuel (coal and oil)	43,844	26,901
Materials and supplies	33,018	32,716
Prepaid expenses	1,011	1,312
Total current assets	293,569	262,296
<i>Deferred Debits and Other Assets:</i>		
Unamortized debt expense	25,026	25,838
Unamortized loss on refunded debt	290,963	305,131
Costs to be recovered from future revenue	386,037	365,075
Other	27,343	31,754
Total deferred debits and other assets	729,369	727,798
 <i>Total</i>	 \$ 3,629,604	 \$ 3,622,665

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND CAPITALIZATION	1994	1993
	(Thousands)	
<i>Long-Term Debt:</i>		
Electric Revenue Bonds – Priority Obligations	\$ 39,380	\$ 42,100
Electric System Expansion Revenue Bonds	1,058,050	1,079,455
Capitalized lease obligations	46,131	49,448
Revenue Bonds	1,343,740	1,370,910
Total long-term debt (net of current portion)	2,487,301	2,541,913
Less:		
Reacquired debt	11,285	10,550
Unamortized debt discount and premium – net	53,825	55,268
Long-term debt – net	2,422,191	2,476,095
<i>Current Liabilities:</i>		
Current portion of long-term debt	54,612	33,704
Accrued interest on long-term debt	72,625	68,362
Commercial paper notes	118,700	108,250
Mini-Bonds and Revenue Bonds (Series M)	156,500	154,865
Accounts payable	33,526	29,179
Other	11,940	18,794
Total current liabilities	447,903	413,154
<i>Deferred Credits and Other Non-Current Liabilities:</i>		
Construction fund liabilities	27,638	32,233
Nuclear decommissioning costs	28,165	27,756
Unamortized gain on reacquired debt	324	470
Other	20,452	16,835
Total deferred credits and other non-current liabilities	76,579	77,294
<i>Commitments and Contingencies</i>		
Capital Contributions – U.S. Government Grants	34,438	34,438
Accumulated Earnings Reinvested in the Business	648,493	621,684
Total	\$ 3,629,604	\$ 3,622,665

STATEMENTS OF ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS

South Carolina Public Service Authority
Years Ended December 31, 1994, 1993, and 1992

	<i>1994</i>	<i>1993</i> (Thousands)	<i>1992</i>
Accumulated earnings reinvested in the business – beginning of year	\$ 621,684	\$ 590,098	\$ 566,197
Reinvested earnings for the year	35,375	37,583	29,717
Total	657,059	627,681	595,914
Distribution to the State of South Carolina	6,157	5,997	5,816
Total	650,902	621,684	590,098
Net unrealized loss on investment securities available-for-sale	(2,409)	—	—
Accumulated earnings reinvested in the business – end of year	\$ 648,493	\$ 621,684	\$ 590,098

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REINVESTED EARNINGS

South Carolina Public Service Authority
Years Ended December 31, 1994, 1993, and 1992

	1994	1993	1992
		(Thousands)	
Operating Revenues:			
Sale of electricity	\$ 600,036	\$ 587,357	\$ 542,898
Sale of water	528	—	—
Other operating revenues	5,092	5,453	5,153
Total operating revenues	605,656	592,810	548,051
Operating Expenses:			
Electric operation expense:			
Production	233,308	237,685	217,223
Purchased and interchanged power	28,271	16,190	11,598
Transmission	3,692	4,068	3,197
Distribution	3,789	3,594	3,810
Customer accounts	2,477	3,571	3,919
Sales	1,610	1,618	1,295
Administrative and general	49,496	48,087	39,784
Electric maintenance expense	54,824	51,626	52,365
Water operation expense	338	—	—
Water maintenance expense	20	—	—
Total operation and maintenance expense	377,825	366,439	333,191
Depreciation and amortization	80,222	78,329	75,025
Sums in lieu of taxes	2,235	3,643	3,643
Total operating expenses	460,282	448,411	411,859
Operating Income	145,374	144,399	136,192
Other Income:			
Interest income	18,271	17,493	21,980
Other – net	50	1,850	642
Total other income	18,321	19,343	22,622
Interest Charges:			
Interest on long-term debt	117,970	122,557	129,894
Other	31,312	27,197	23,356
Total interest charges	149,282	149,754	153,250
Costs to be recovered from future revenue	20,962	23,595	24,153
Reinvested Earnings	\$ 35,375	\$ 37,583	\$ 29,717

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

South Carolina Public Service Authority
Years Ended December 31, 1994, 1993, and 1992

	1994	1993	1992
		(Thousands)	
Cash Flows From Operating Activities:			
Operating Income	\$ 145,374	\$ 144,399	\$ 136,192
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	86,660	86,913	85,602
Other Income	50	1,850	33
Changes in assets and liabilities:			
Accounts receivable, net	2,758	(7,051)	(4,692)
Inventories	(17,245)	17,489	(11,437)
Prepaid expenses	301	(326)	70
Other deferred debits	3,473	(2,659)	(4,380)
Accounts payable	4,347	1,050	(1,253)
Other current liabilities	(7,590)	(6,612)	6,174
Other non-current liabilities	(569)	16,090	33,244
Net cash provided by operating activities	217,559	251,143	239,553
Cash Flows From Investing Activities:			
Net decrease (increase) in investments	163,356	106,127	(215,041)
Interest on investments	20,228	29,379	39,769
Net cash provided by (used in) investing activities	183,584	135,506	(175,272)
Cash Flows From Noncapital-Related Financing Activities:			
Distribution to the State of South Carolina	(6,157)	(5,997)	(5,815)
Cash Flows From Capital-Related Financing Activities:			
Proceeds from sale of bonds	—	977,955	544,388
(Additions) retirements of reacquired debt	(544)	(5,205)	310
Net commercial paper proceeds (repayments)	10,450	(13,500)	(2,250)
Repayment and refunding of bonds	(31,162)	(964,183)	(227,858)
Interest paid on borrowings	(156,503)	(183,548)	(167,613)
Construction and betterments of utility plant	(182,160)	(240,513)	(235,279)
Debt issuance costs	(739)	(15,021)	(7,699)
Other	(3,225)	(3,148)	(3,052)
Net cash used in capital-related financing activities	(363,883)	(447,163)	(99,053)
Net Increase (Decrease) in Cash and Cash Equivalents	31,103	(66,511)	(40,587)
Cash and Cash Equivalents at the Beginning of the Year	121,985	188,496	229,083
Cash and Cash Equivalents at the End of the Year	\$ 153,088	\$ 121,985	\$ 188,496

	1994	1993	1992
		(Thousands)	
Reconciliation of Cash and Cash Equivalents:			
Cash and investments held by trustee (designated)	\$ 291,878	\$ 440,427	\$ 607,112
Cash and investments held by trustee (undesignated)	51,778	50,794	46,536
Bond funds – current portion	106,415	90,031	99,205
Less investments, not considered cash and cash equivalents	296,983	459,267	564,357
Cash and cash equivalents at the end of the year	\$ 153,088	\$ 121,985	\$ 188,496

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies:

A - Reporting Entity - The South Carolina Public Service Authority (the Authority), a component unit of the State of South Carolina, was created in 1934 by the State Legislature. The Board of Directors is appointed by the Governor of South Carolina. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by bonds issued by the Authority and internally generated funds. The Board of Directors sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

B - System of Accounts - The accounting records of the Authority are in accordance with generally accepted accounting principles applicable to governmental entities (Note 12) and are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC) as applicable.

C - Utility Plant - Utility plant is recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Capitalized interest was \$27,149,000 in 1994, \$21,523,000 in 1993, and \$14,020,000 in 1992. The costs of repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

D - Depreciation - Depreciation is computed on a straight-line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.3% for each of the three years in the period ended December 31, 1994. Amortization of capitalized leases is also included in depreciation expense.

E - Revenue Recognition and Fuel Costs - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers which have not been billed are accrued. Fuel costs are reflected in operating expenses as fuel is consumed.

F - Bond Issuance Costs - Unamortized debt discount, premium and expense are amortized to income over the terms of the related debt issues. Unamortized gains or losses on refunded debt are generally deferred and amortized to income over the terms of the refunding debt issues.

G - Cash and Cash Equivalents - For purposes of the statements of cash flows, the Authority considers highly liquid investments with original maturities of less than three months and cash on deposit with financial institutions as cash and cash equivalents.

H - State Distribution - The distribution to the State of South Carolina is determined utilizing a formula required under the 1949 Indenture which is based essentially on operating cash flows and mandatory reserve requirements. Such calculation varies substantially from reinvested earnings for the year principally due to costs to be recovered from future revenue and working capital requirements.

I - Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2 Regional Water System:

In 1992, the Authority's Board of Directors authorized the

construction of a regional water system. The Authority executed a contract with the Lake Moultrie Water Agency, a joint municipal water system consisting of the following members: City of Summerville Commission of Public Works, Town of Moncks Corner Commission of Public Works, City of Goose Creek and the County of Berkeley. The Lake Moultrie Water Agency will purchase all of the capacity of the water system and sell such capacity to the four members. The water system commenced initial operation on October 1, 1994. The construction costs incurred as of December 31, 1994 totalled approximately \$35,561,000.

Note 3 Costs to be Recovered from Future Revenue:

The Authority's electric rates are established based upon debt service and operating fund requirements. Straight-line depreciation is not considered in the cost of service calculation used to design rates. The differences between debt principal maturities (adjusted for the effects of premiums, discounts and amortizations of deferred gains and losses) and straight-line depreciation are recognized as costs to be recovered from future revenue. The recovery of outstanding amounts associated with costs to be recovered from future revenue will coincide with the retirement of the outstanding long-term debt of the Authority.

Note 4 Cash and Investments Held by Trustee (Designated):

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees and their use designated in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities. Effective January 1, 1994, the Financial Accounting Standards Board Statement No. 115 was adopted. This statement requires investments to be classified into one of three categories: trading, held-to-maturity or available-for-sale. The Authority's investments are all classified as either held-to-maturity or available-for-sale. As required by this statement, investments classified as held-to-maturity are carried at amortized cost. Securities categorized as available-for-sale are carried at market value with the net unrealized gain or loss offset against accumulated earnings reinvested in the business.

As of December 31, 1994, the Authority had held-to-maturity investments carried at amortized cost of \$84,665,000 and available-for-sale investments carried at fair market value of \$316,706,000. The gross unrealized holding losses totalled \$521,000 on the held-to-maturity securities. The gross unrealized holding gains totalled \$183,000 and gross unrealized holding losses totalled \$7,669,000 on the available-for-sale securities. Included in the Authority's available-for-sale investments carried at fair market value are nuclear decommissioning funds of \$26,040,000 with related unrealized holding losses of \$5,076,000. These unrealized holding losses are reflected in the decommissioning liability and not as a separate component of accumulated earnings reinvested in the business.

All the Authority's investments with the exception of decommissioning funds are limited to a maturity of ten years or less. For the year ended December 31, 1994, the Authority had proceeds of \$12,153,000 from sales of available-for-sale securities and realized \$31,000 of gains and \$18,000 of losses in connection with these sales. These gains and losses were computed as the difference between the proceeds and specifically identified amortized cost per security.

Cash – Cash is categorized as follows: Category 1 includes bank balances entirely covered by federal depository insurance. Category 2 includes bank balances that are uncollateralized or collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

Investments – Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and certificates of deposit. The Authority's investments consist of U.S. Government securities, certificates of deposit, and repurchase agreements. The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of

the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's trust agents. At December 31, 1994, the Authority's repurchase agreements totalled \$92,754,000.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by trust agents in the Authority's name. Category 2 includes uninsured certificates of deposit which are collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

1994						
	Investments		Cash		Total	
	Category 1	Category 2	Category 1	Category 2	Carrying Value	Market Value
(Thousands)						
Cash and Investments						
Held by Trustee (Designated)						
General Improvement Funds	\$ 53,238	\$ 1,300	\$ 33	\$ 80	\$ 54,651	\$ 54,651
Debt Service Reserve Funds	128,179	0	0	1,030	129,209	129,209
Other Special Funds	76,782	0	0	425	77,207	77,207
Funded Interest	30,811	0	0	0	30,811	30,295
Total Cash and Investments						
Held by Trustee (Designated)	\$ 289,010	\$ 1,300	\$ 33	\$ 1,535	\$ 291,878	\$ 291,362
Cash and Investments						
Held by Trustee (Undesignated)						
Revenue Fund	\$ 53,155	\$ 0	\$ 0	(5,875)	\$ 47,280	\$ 47,280
Special Reserve Fund	4,307	0	100	91	4,498	4,498
Total Cash and Investments						
Held by Trustee (Undesignated)	\$ 57,462	\$ 0	\$ 100	\$ (5,784)	\$ 51,778	\$ 51,778
Bond Funds - Current Portion						
Interest	\$ 24,421	\$ 0	\$ 0	\$ 36,011	\$ 60,432	\$ 60,432
Bond Principal	28,797	0	0	617	29,414	29,409
Funded Interest	497	0	0	15,634	16,131	16,131
Lease	438	0	0	0	438	438
Total Bond Funds - Current Portion	\$ 54,153	\$ 0	\$ 0	\$ 52,262	\$ 106,415	\$ 106,410

	1993					
	Investments		Cash		Total	
	Category	Category	Category	Category	Carrying	Market
	1	2	1	2	Value	Value
(Thousands)						
Cash and Investments						
Held by Trustee (Designated)						
General Improvement Funds	\$ 57,568	\$ 1,650	\$ 55	\$ 205	\$ 59,478	\$ 59,292
Debt Service Reserve Funds	162,729	0	0	55	162,784	172,038
Other Special Funds	157,066	0	0	28	157,094	157,151
Funded Interest	61,067	0	0	4	61,071	61,908
Total Cash and Investments						
Held by Trustee (Designated)	\$ 438,430	\$ 1,650	\$ 55	\$ 292	\$ 440,427	\$ 450,389
Cash and Investments						
Held by Trustee (Undesignated)						
Revenue Fund	\$ 44,764	\$ 0	\$ 0	\$ (2,098)	\$ 42,666	\$ 42,643
Special Reserve Fund	7,616	0	100	412	8,128	8,143
Total Cash and Investments						
Held by Trustee (Undesignated)	\$ 52,380	\$ 0	\$ 100	\$ (1,686)	\$ 50,794	\$ 50,786
Bond Funds - Current Portion						
Interest	\$ 24,120	\$ 0	\$ 0	\$ 36,686	\$ 60,806	\$ 60,806
Bond Principal	16,245	0	0	0	16,245	16,247
Funded Interest	12,542	0	0	0	12,542	12,542
Lease	438	0	0	0	438	438
Total Bond Funds - Current Portion	\$ 53,345	\$ 0	\$ 0	\$ 36,686	\$ 90,031	\$ 90,033

Note 5 Long-Term Debt Outstanding:

The Authority's long-term debt at December 31, 1994 and 1993 consisted of the following:

	December 31,	
	1994	1993
	(Thousands)	
Electric Revenue Bonds - Priority Obligations: (mature through 2006)		
Interest rate 4.10%	\$ 42,100	\$ 44,705
Electric System Expansion Revenue Bonds: (mature through 2022)		
Interest rates vary from 5.30% - 8.60%	1,079,455	1,099,525
Capitalized lease obligations: (mature through 2015)		
Interest rates vary from 2.00% - 5.00%	49,448	52,672
Revenue Bonds: (mature through 2032)		
Interest rates vary from 3.40% - 7.00%	1,370,910	1,378,715
Total Long-Term Debt	2,541,913	2,575,617
Current Portion - Long-Term Debt	54,612	33,704
Total Long-Term Debt - Net	\$ 2,487,301	\$ 2,541,913

Maturities of long-term debt through 1999 are as follows:

	Priority Obligations	Expansion Bonds	Capitalized Leases	Revenue Bonds	Total
Year Ending December 31,	(Thousands)				
1995	\$ 2,720	\$ 21,405	\$ 3,318	\$ 27,170	\$ 54,613
1996	2,845	23,165	3,418	10,670	40,098
1997	2,975	19,160	3,527	18,380	44,042
1998	3,105	19,980	3,609	15,800	42,494
1999	3,245	14,960	3,328	23,270	44,803
Total	\$ 14,890	\$ 98,670	\$ 17,200	\$ 95,290	\$ 226,050

The fair value of the Authority's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for tax-exempt bonds and other debt with similar terms and average maturities, the fair value of debt is approximately \$2.5 billion and \$2.85 billion at December 31, 1994 and 1993, respectively.

The Authority refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future rate adjustments.

In 1993, the Authority issued \$385,125,000 in 1993 Refunding Series A&B Bonds and \$631,360,000 in 1993 Refunding Series C Bonds. These refundings reduced the Authority's total debt service over the life of its bonds by approximately \$66,501,000, resulting in an economic gain over the life of the bonds of approximately \$30,249,000.

Refunded amounts outstanding, original loss on refunding, and the unamortized loss at December 31, 1994 are as follow:

Refunding Issue	Refunded Bonds	Refunded Amount Outstanding	Original Loss	Unamortized Loss
(Thousands)				
1985 Refunding	\$ 150,000 of the 1982 Series B	\$ —	\$ 30,570	\$ 1,163
Cash Defeasance	\$ 20,000 of the 1982 Series A	—	2,763	2,026
1986 A&B Refunding	\$ 42,725 of the 1980 Series A \$ 42,000 of the 1981 Series A \$ 61,000 of the 1981 Series B \$ 4,420 of the 1981 Series C \$ 7,820 of the 1982 Series A \$ 9,010 of the 1982 Series B	—	43,736	2,939
1986 C&D Refunding	\$280,275 of the 1982 Refunding Series	—	97,109	81,689
1987 A Refunding	\$160,510 of the 1985 Refunding Series	160,510	48,038	36,824
1988 A Refunding	\$ 18,220 of the 1980 Series A \$ 18,315 of the 1981 Series A \$ 9,110 of the 1982 Refunding Series \$ 5,000 of the 1985 Refunding Series \$120,890 of the 1985 A Refunding Series	125,890	28,644	17,950
1991 A,B&C Refunding & Improvement Series	\$ 4,855 of the 1980 Series A \$ 8,075 of the 1981 Series A \$ 13,500 of the 1985 Series \$ 32,500 of the 1985 A Refunding Series	32,500	4,856	1,430
1992 A Refunding	\$ 3,370 of the 1985 Refunding Series \$ 5,405 of the 1985 A Refunding Series \$ 100,010 of the 1986 Refunding Series A \$ 22,555 of the 1988 Refunding Series A \$ 15,370 of the 1991 Refunding Series B \$ 12,085 of the 1991 Series D	158,795	42,188	37,615
1993 A&B Refunding	\$ 86,180 of the 1974 Series \$ 93,360 of the 1979 Series A \$ 4,980 of the 1985 A Refunding Series \$ 14,935 of the 1986 Refunding Series A \$ 23,675 of the 1986 Refunding Series B \$135,705 of the 1991 Refunding & Improvement Series B and C	179,295	38,870	38,870
1993 C Refunding	\$167,660 of the 1977 Refunding Series \$ 900 of the 1985 Refunding Series \$ 2,390 of the 1985 A Refunding Series \$ 6,365 of the 1986 Refunding Series A \$ 14,905 of the 1988 Refunding Series A \$100,110 of the 1991 Refunding & Improvement Series B and C \$279,905 of the 1991 Series D	404,575	72,311	70,457
Total		\$1,061,565	\$ 409,085	\$ 290,963

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

1. The Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements and all costs of operation and maintenance of the

Authority's electric system and all necessary repairs, replacements, and renewals thereof.

2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

As of December 31, 1994, the Authority is in compliance with all debt covenants.

Note 6 Commercial Paper and Mini-Bonds:

The Board of Directors has authorized the issuance of commercial paper not to exceed \$250,000,000. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 1994, 1993, and 1992, the information related to commercial paper was as follows:

	1994	1993	1992
Effective interest rate (at December 31)	3.99%	2.52%	2.69%
Average annual amount outstanding	\$108,572,000	\$117,700,000	\$115,410,000
Average annual maturity	62 days	52 days	62 days
Average annual effective interest rate	2.90%	2.40%	2.96%

At December 31, 1994 the Authority had a Revolving Credit Agreement with NationsBank for \$250,000,000. This agreement is

used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 1994 or 1993.

In 1988 and 1989 the Authority issued bonds (Mini-Bonds) in small denominations which are due on demand by the registered owner under a Mini-Bond Resolution. In 1990 the Revenue Bond Resolution was adopted and all senior debt including the existing 1988 and 1989 Mini-Bonds were frozen except for Refunding purposes. Under the Revenue Bond Resolution, small denomination bonds due on demand (Series M Bonds) were issued. The pledge of revenues securing Revenue Bonds is junior and subordinate to the pledge of revenues securing the Priority Obligations, Electric System Expansion Revenue Bonds, and the 1988 and 1989 Mini-Bonds and capital lease obligations, but is superior to the lien and pledge of revenues securing the Commercial Paper, payments to the Contingency Fund, Capital Improvement Fund, Special Reserve Fund and the payments to the State.

At December 31, 1994, the Authority had additional Revolving Credit Agreements with NationsBank totalling \$40,000,000. These agreements are used to provide liquidity for the put feature on all outstanding Mini-Bonds. There were no borrowings under these agreements in 1994 or 1993.

Commercial Paper and Mini-Bonds outstanding at December 31, are as follows:

	1994	1993
	(Thousands)	
Commercial Paper	\$ 118,700	\$ 108,250
Mini-Bonds:		
1988 Series, bearing interest at 7.75% and due 2003	16,547	\$ 16,622
1989 Series, bearing interest at 7.00% and due 2004	18,975	18,615
Total Mini-Bonds	\$ 35,522	\$ 35,237
Revenue Bonds (Series M):		
1990 Series bearing interest at 7.30% and due 2005, and 2006	\$ 22,602	\$ 22,185
1991 Series bearing interest at 6.875% and due 2007, and 2008	28,405	28,030
1992 Series bearing interest at 6.25% and due 2007, 2008, and 2009	40,231	39,816
1993 Series bearing interest at 5.35% and due 2010, 2011, and 2012	29,740	29,597
Total Revenue Bonds (Series M)	\$ 120,978	\$ 119,628
Total Mini-Bonds and Revenue Bonds (Series M)	\$ 156,500	\$ 154,865
Total Commercial Paper, Mini-Bonds, and Revenue Bonds (Series M)	\$ 275,200	\$ 263,115

Note 7 Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 1/3% and 66 2/3%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer

Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3% of the net electricity generated. At December 31, 1994 and 1993, the plant accounts included approximately \$440,604,000 and \$438,514,000, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For each of the three years ended December 31, 1994, 1993 and 1992,

the Authority's operation and maintenance expenses included \$36,393,000, \$38,772,000 and \$41,431,000, respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended which includes a component for estimated disposal costs of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

SCE&G has an on-site spent fuel storage capability until at least 2008 and expects to be able to expand its storage capacity to accommodate the spent fuel output for the life of the plant through rod consolidation, dry cask storage or other technology as it becomes available. In addition, there is sufficient on-site storage capacity over the life of Summer Nuclear Station to permit storage of the entire reactor core in the event that complete unloading should become desirable or necessary for any reason.

The Nuclear Regulatory Commission (NRC) has published final regulations on decommissioning of nuclear facilities that require a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 1991 and the NRC's imposed minimum requirement. Santee Cooper's one-third share of the estimated decommissioning costs of the Summer Nuclear Station equals approximately \$76,266,000 in 1990 dollars. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates.

Based on current decommissioning cost estimates developed by SCE&G, these funds, which totalled approximately \$26,076,000 (adjusted to market) at December 31, 1994, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

Due to stress corrosion cracking, the steam generators at the Summer Nuclear Station had to be replaced. SCE&G had filed suit against the manufacturer of the generators seeking damages for the replacement of the generators.

In January 1994, SCE&G and the Authority reached a settlement agreement with the manufacturer of the steam generators resolving the dispute involving the steam generators. Terms of the settlement will remain confidential and there will be no material adverse impact on the Authority. An order dismissing this suit was entered by the judge on January 12, 1994. The generators were replaced in 1994.

The supplier under the original uranium supply contract breached the contract in 1975 due to uranium market conditions. SCE&G initiated action seeking specific performance of the contract provisions, and a final settlement was reached and approved by all parties in April 1980. By terms of the settlement, the Authority has received approximately \$10,243,000 in cash as partial settlement of the lawsuit. Additionally, the agreement provides for delivery of uranium, long-term deliveries of equipment and services (including conversion and fuel fabrication) at a discount. The cash and discounts received (and related interest earned) which approximated \$17,429,000, were recorded as deferred credits. During prior refueling outages deferred credits and related interest were used to offset additional fuel costs

associated with replacement energy during the Summer Nuclear Station refueling outages. Deferred credits applied to fuel costs during 1994 totaled \$185,000.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities the DOE estimates that it would need to charge utilities a total of \$150,000,000, indexed for inflation, annually for fifteen (15) years based on enrichment services used by utilities in past periods. Based on an estimate from SCE&G covering the fifteen years, the Authority's remaining one-third share of the liability at December 31, 1994 totals \$1,961,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the balance sheet in Deferred Credits and Other Noncurrent Liabilities.

The maximum liability for public claims arising from any nuclear incident has been established at \$9.4 billion by the Price-Anderson Indemnification Act. This \$9.4 billion would be covered by nuclear liability insurance of about \$200 million per site, with potential retrospective assessments of up to \$79.275 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed \$10 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority would be responsible for the maximum assessment of \$26.425 million, not to exceed approximately \$3.3 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain with American Nuclear Insurers (ANI) and Nuclear Electric Insurance Limited (NEIL) \$500 million primary and \$1.4 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. In addition to the premiums paid on the excess policy, SCE&G and the Authority could also be assessed a retroactive premium, not to exceed 7.5 times the annual premium, in the event of property damage to any nuclear generating facility covered by NEIL. Based on the current annual premium and the Authority's one-third interest, the Authority's maximum retroactive premium would be \$4.1 million.

The Authority is self-insured for any retroactive premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power.

Note 8 Leases:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from one to twenty-one years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above-mentioned facilities. The Authority has options to purchase the leased properties at any time during the period of the lease agreements for sums equal to Central's indebtedness remaining outstanding on the properties at the time the options are exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases, at December 31, 1994 were:

Years ending December 31:	Amount (Thousands)
1995	\$ 5,233
1996	5,229
1997	5,229
1998	5,198
1999	4,802
Thereafter	41,602
Total minimum lease payments	67,293
Less amounts representing interest	17,845
Balance at December 31, 1994	\$ 49,448

Property under capitalized leases and related accumulated amortization included in utility plant at December 31, 1994 totalled \$99,628,000 and \$59,002,000, respectively, and at December 31, 1993 totalled \$100,207,000 and \$56,672,000, respectively.

Operating lease payments during the years ended December 31, 1994, 1993, and 1992, totalled \$1,116,000, \$753,000, and \$1,021,000, respectively.

Note 9 Contract with Central Electric Power Cooperative, Inc.:

Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement. In addition, the Authority will be the sole supplier of Central's energy needs excluding energy Central receives from the Southeastern Power Administration and SCE&G.

Note 10 Commitments and Contingencies:

Budget - The Authority's capital budget provides for expenditures of approximately \$139,454,000 during the year ending December 31, 1995, and \$168,085,000 during the two years thereafter. These projects will be financed by internally generated funds and additional borrowings.

Future Generation - The Authority's Board of Directors approved the construction of a second 540-megawatt coal-fueled electric generating unit at the Cross Plant.

The estimated cost of construction is expected to total approximately \$460.7 million which includes \$417.9 million for the generating unit, \$25.9 million for related transmission facilities, \$9.9 million for coal cars and \$7.0 million for the initial coal stockpile. On September 12, 1994 at 12:03 a.m., Cross Unit 1 was synchronized to the Santee Cooper transmission grid and produced its first test generation. Commercial operation is expected to commence in May 1995.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with outstanding minimum obligations at December 31, 1994 as follows:

Years ending December 31:	Amount (Thousands)
1995	\$ 104,476
1996	104,476
1997	104,476
1998	85,074
1999	85,074
Thereafter	282,552
Total	\$ 766,128

The Authority's outstanding minimum obligations under existing purchased power contracts as of December 31, 1994, were approximately \$117.1 million. The terms of the contracts range from 1 to 41 years.

The Authority has commitments of approximately \$140.3 million for its one-third share under the joint ownership agreement with SCE&G for the purchase, conversion, enrichment and fabrication of uranium.

Clean Air Act - The Authority endeavors to ensure that its facilities comply with applicable environmental regulations and standards.

Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal program relating to acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of sulfur dioxide and nitrogen oxide. While the legislation contains a number of new restrictions, the most significant new requirements, relating to acid precipitation, would not begin to impact the Authority until the year 2000.

Under the Clean Air Act, among other things, specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fueled generating units will be required in two phases. In general, Phase I compliance must be implemented by January 1, 1995 and Phase II compliance by January 1, 2000. Specific regulations, rules and procedures for implementing the Clean Air Act are currently being promulgated by the EPA. The Authority currently projects it can meet Clean Air Act compliance with its existing units but may need to environmentally dispatch the order of operation. The Authority has installed continuous emissions monitoring equipment at a cost of \$5.3 million and estimates that it will spend \$8.1 million for low nitrous oxide burner technology by the year 2000.

Energy Policy Act of 1992 - The Energy Policy Act of 1992 (Energy Act) promotes energy efficiency, alternative fuel use, and increased competition for electric utilities and will have a significant impact on the utility industry. Under the Energy Act, Independent Power Producers (IPPs) are allowed access to a utility's transmission lines to sell their electricity to other utilities, thus enhancing their incentive to build generation plants for the utility's large industrial and commercial customers. At this time, the Authority is not able to determine what impact open transmission access will have on the financial results of the Authority.

Winyah Turbine Fire - On December 30, 1994, an explosion and subsequent fire severely damaged the Winyah Unit 1 turbine generator causing approximately \$25 million in damage to the 270-megawatt unit. The turbine generator will be repaired and is expected to be out of service for 12 months. Insurance carried by the Authority should insulate ratepayers from any impact of paying for repairs, with the exception of the \$405,000 deductible. Because the new 540-megawatt unit at Cross is ahead of schedule, the Authority does not anticipate difficulty in meeting customer load.

Note 11 Retirement Plan:

Substantially all Authority full-time employees must participate in one of the components of the South Carolina Retirement System (System), a cost-sharing, multiple-employer public employee retirement system. The payroll for employees covered by the System for each of the years ended December 31, 1994, 1993 and 1992, was \$69,705,000, \$65,727,000 and \$61,558,000, respectively.

Vested employees who retire at age 65 or with 30 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 55. The System also provides death and disability benefits. Benefits are established by state statute.

Employees are required by state statute to contribute 6 percent of salary. The Authority is required by the same statute to contribute 7.55 percent of total payroll. The contribution requirement for each of the years ended December 31, 1994, 1993 and 1992, was \$5,370,000, \$5,063,000, and \$4,742,000 from the Authority and \$4,183,000, \$3,944,000, and \$3,689,000 from employees.

An actuarial valuation is performed for the System annually. According to the South Carolina Retirement System's June 30, 1994 financial statements, the pension benefit obligation for retired and active members was approximately \$13.8 billion. The amortized cost of assets of the System was approximately \$10.4 billion. The unfunded pension obligation was approximately \$3.4 billion. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess the System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The System does not make separate measurements of assets and benefits payable for individual employers. The Authority's contribution represented approximately one and a half percent of the total contribution to the System.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1994 Comprehensive Annual Financial Report.

The Authority also provides deferred compensation benefits to certain employees who are eligible to retire with ten years of service and have reached the age of 50. The cost of these benefits is accrued

on an actuarially determined basis. As of December 31, 1994, there were 37 active participants and 23 retirees. The accrued liability at December 31, 1994, 1993 and 1992, was approximately \$3,572,000, \$3,255,000, and \$2,956,000, respectively.

Note 12 Other Post-Retirement Benefits:

The Authority provides certain health, dental and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 30 years of service or at age 60 with at least 20 years of service. Currently, approximately 270 retirees meet these requirements. The cost of the health, dental and life insurance benefits are recognized as expense as the premiums are paid. For the years ended December 31, 1994, 1993 and 1992, these costs totalled \$558,000, \$515,000 and \$371,000, respectively.

During their first ten years of service, full-time permanent employees can earn up to 15 days vacation leave per year. After ten years of service, employees earn an additional day vacation leave for each year of service over ten until they reach the maximum of 25 days per year. Employees earn annually a half day per month plus three additional days at year end for sick leave.

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated sick leave at the pay rate then in effect. These costs are carried as a deferred debit and a liability on the balance sheet and will be recovered through rates as they are paid.

Note 13 Credit Risk and Major Customers:

Concentrations of credit risk with respect to the receivables are limited due to the large number of customers in the Authority's customer base and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

Sales to two major customers for the years ended December 31, were:

	1994	1993	1992
	(Thousands)		
Central Electric Power Cooperative, Inc.	\$ 278,000	\$ 277,000	\$ 236,000
Alumax of South Carolina, Inc.	\$ 71,000	\$ 72,000	\$ 82,000

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Finance-Audit Committee of the Board of Directors is composed of five independent directors: Leon S. Goodall, chairman; B.L. Hendricks; D. Gene Rickenbaker; J. Mac Walters; and Johnnie (Joe) Young. The Committee meets monthly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the Board of Directors. Monthly briefings on the financial statements and periodic reports from management and the internal auditors pertaining to operations and representations were received. In fulfilling its responsibilities, the Committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountant. The Committee discussed the Company's financial statements and the adequacy of its system of internal controls.

The Committee met with the independent public accountant and with the General Auditor, without management present, to discuss the results of the examination, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

Leon S. Goodall, Chairman
Finance-Audit Committee

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Represents 5th Congressional District

Henry B. Rickenbaker
Represents 6th Congressional District

J. Joseph Young
Represents Georgetown County

CHANGES IN THE BOARD

W. Melvin Brown represented the first congressional district on Santee Cooper's Board of Directors from July 1993 until his death in June 1994. His wife, Juanita W. Brown, was appointed to fill his unexpired term. Her confirmation by the state Senate is expected in early 1995.

ADVISORY BOARD

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Secretary of State

T. Travis Medlock*
Attorney General

Earle E. Morris
Comptroller General

Grady L. Patterson Jr.*
State Treasurer

CHANGES IN THE ADVISORY BOARD

*In South Carolina's November general election, David M. Beasley was elected governor; Charles M. Condon was elected attorney general; and Richard Eckstrom was elected state treasurer. All were sworn-in on Jan. 11, 1995.

MANAGEMENT

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Robert V. Tanner

Chief Operating Officer

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*Vice President
System Operations*

Elaine G. Peterson

Controller

H. Roderick Murchison

Treasurer

W. Glen Brown

Corporate Secretary

CHANGES IN MANAGEMENT

*In February 1995, Alfred Calafiore joined the executive management staff as senior vice president of Planning and Bulk Power Markets.



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